

The Impact of the Reliance Theory on Compensation for Its Breach in Iranian Law and Common Law

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The reliance theory is considered a basis for civil liability that has not been extensively discussed or examined. The present article aims to investigate the impact of the reliance theory on compensation for its breach in Iranian law and common law. This study employs a descriptive-analytical method and utilizes library research to analyze the subject. The findings indicate that the impact of the reliance theory on compensation for its breach in common law should be sought in the legal doctrine of promissory estoppel. In essence, this theory, through promissory estoppel, has influenced compensation for damages resulting from reliance. According to promissory estoppel, when a person makes a promise, they are bound by it in relation to the party who accepts it. This obligation does not arise because the promisor has expressed a specific intent but because they have conveyed their intention in such a way that justifies the other party's reliance on their actions and statements. In the reliance theory, what holds significance is the reliance of the promisee, not the promisor's intent regarding their commitment. Therefore, while promissory estoppel is based on a promise, the reliance theory is grounded in an assumption of liability. In Iranian law, the most significant impact of the reliance theory can be observed in Article 336 of the Civil Code. According to this provision, even if a person has not explicitly promised to pay remuneration, they are nevertheless obligated to do so if customary practice dictates that such an act requires payment or if the performing party was prepared to carry out the work in expectation of compensation.

Keywords: *reliance theory, compensation, breach of promise, obligation, liability*

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1. Introduction

According to the reliance theory, if one party's action has been relied upon by the other party, it creates a binding obligation for the actor. The reliance theory focuses on the reliance of the promisee. For example, if person A promises person B that they will purchase a particular product if B produces it, and B, relying on this promise, invests in new machinery to

manufacture the product, but later A declares that they will not fulfill their promise, B incurs costs that cannot be recovered through production and sales to another party. To justify why B should be able to recover damages for their reliance, proponents of the reliance theory compare B's actions to a wrongful act (Golding & Edmundson, 2005). Just as a negligent driver who runs over pedestrians commits an injustice against them, in the above example, person B, after inducing reliance in



person C, fails to fulfill their promise and commits an injustice against C. According to proponents of the reliance theory, if corrective justice dictates that pedestrians can claim compensation from a negligent driver for injuries suffered, then by the same logic, corrective justice requires that C should also be able to claim compensation for damages caused by reliance on B. The actions of B have placed C in a worse position than before, and therefore, B should compensate for C's loss. According to this theory, the source of obligation is the actions of each party and the reliance of the other party on those actions. Many common contracts, such as reserving airline tickets or ordering food, can be justified under this theory.

In the Principles of European Contract Law, costs arising from negotiations and preparatory actions for contract formation are recoverable. It appears that what distinguishes these losses from acceptable, customary risks is the speech or behavior that has induced the reliance of the aggrieved party. In other words, reliance is the key element that renders costs arising from broken negotiations recoverable (Sepehri, 2008). In this regard, Article 2:105(4) and Article 2:106 of the Principles of European Contract Law assign legal effect to reliance on the statements and conduct of the other party:

- Article 2:105(4): "A party may be precluded by its statements or conduct from invoking an integration clause to the extent that the other party has reasonably relied on them."

The reliance theory has been recognized and accepted in some common law jurisdictions, such as the United States, and has also been supported by certain scholars in English law, including Professor Atiyah. The fundamental question examined in this study is: What impact does the reliance theory have on compensation for its breach in Iranian law and common law?

This question is significant because the reliance theory is not explicitly recognized in Iranian law. Moreover, in English law, as a common law system, a commitment is enforceable only if it is supported by consideration or is part of a formal contract. There has been extensive debate in England and other common law jurisdictions on whether an agreement without consideration can be rendered enforceable through alternative legal doctrines.

Based on the foregoing, the objective of this article is to examine the impact of the reliance theory on

compensation for its breach in Iranian law and common law.

2. Reliance Theory

The reliance theory, as an approach in contract law, focuses on the interests of the promisee. "In cases where there is harmful and detrimental reliance on the intention and will of the promisor, this theory calls for the legal enforcement of contractual obligations." The first point to note is that not every form of reliance justifies compensation; only reasonable and legitimate reliance warrants legal protection, meaning that a criterion exists to limit the scope of reliance. The concept of foreseeable or justified reliance is ambiguous and depends on the legal rules and customs of the society in which the contract is made. However, the fundamental problem with the reliance theory is that sometimes there is no necessary connection between reliance and contract formation. That is, there may be reliance in some instances where the defendant has not voluntarily undertaken any obligation, such as when a person announces an intention to perform an action in the future but never makes a promise, or when a person induces reliance in another without knowing that their conduct would create such reliance (Gold, 2009).

The foundation of justice theory is that promises are moral obligations because they create reliance in others. Specifically, when a promisor fails to fulfill a promise, the reliance induced in the promisee produces detrimental consequences. Therefore, it is morally impermissible for the promisor to abandon their commitment. Under the reliance theory, such promises should be upheld both morally and legally. If no reliance exists, the promisor's failure to fulfill the promise is not considered unethical. "Proponents of the reliance theory argue that actual reliance creates an obligation and moral duty; the promisor is responsible for fulfilling what they have declared they would do because their actions have created a form of attachment and dependency in the promisee, which serves as the moral basis for obligation" (Stone, 2009). Advocates of this theory emphasize the centrality of reliance in establishing contractual liability. Professor Atiyah has strongly asserted that promises and obligations tend to rely on induced reliance, which is actually what creates them. This highlights the role of reliance in ensuring that promises are upheld and contracts are legally enforced.

In contract law, there is a significant distinction between the traditional will theory and the reliance theory. According to will theory, a contract is based on a promise that creates an obligation in favor of the promisee. Under the traditional theory, a contract requires a promise in exchange for another promise or its performance. If such an agreement is recognized as a contract, the law compels the parties to fulfill their promises.

In contrast, the reliance theory asserts that a contract arises from one party's conduct rather than from a promise. That is, under this theory, a contract is not based on a promise but is instead founded on what is termed an assumption of responsibility. In this framework, an individual is held accountable for inducing reliance in the other party concerning a particular action.

The traditional theory holds that a contract consists of a mutual exchange of promises, where one party promises to provide a benefit in the form of goods or services in exchange for the other party's promise to pay a price. This exchange of promises creates binding obligations. However, instead of an exchange of promises, there may be a contract based on assumption of responsibility. Under the reliance theory, the parties do not explicitly state, "I promise to do this, and you promise to do that." Instead, the assumption is that "I will do this, and you will do that," and even though no explicit promise has been made, there is an acceptance of responsibility for the reliance that has been induced in the other party (Jaffey, 1998).

The concept of reliance as a basis for enforceability means that a party's actions and the reliance of the other party on those actions render obligations legally binding, rather than the mutual exchange of promises, which is the premise of the traditional consideration theory. Therefore, in a scenario where a cleaner, after being assured that A is willing to have their windows cleaned, proceeds with the cleaning, they do so based on the reliance that A will pay them (Nematollahi, 2016).

Compared to the traditional consideration theory, which enforces contracts based on an exchange of reciprocal obligations, the reliance theory allows the enforcement of agreements where no explicit consideration exists, provided that there is reasonable reliance.

The reliance theory stands in contrast to the consideration theory in English law. "Supporters of the reliance theory argue that it provides a more precise

standard for enforceability compared to the traditional consideration theory, which is merely an exchange of promises. Courts recognize obligations where the promisee has undertaken an action in reliance on a commitment because it would be unjust for the promisor to renege. They believe that one party's action and the other party's reliance on that action create an obligation, rather than the mutual exchange of promises" (Stone, 2009).

Ultimately, in contractual liability, parties can definitively establish their obligations. Promises create obligations, rather than merely serving as a justification for them. In contrast, in non-contractual liability, duties are primarily established by law, and a promise alone does not create liability. Professor Atiyah argues that contracts are rooted in performance rather than mere promises. When part of a contract has been executed, liability arises independently of an express or implied promise. Consequently, in some cases, duties arise from actions taken rather than from promises made.

3. The Impact of the Reliance Theory on Compensation for Its Breach in Common Law

To understand the impact of the reliance theory on compensation for its breach, it is necessary to analyze and explain the reliance theory and its influence on legal doctrines and institutions. The doctrine of estoppel in English and American law is among the legal principles in which the role of reliance is clearly evident.

3.1. *The Impact of the Reliance Theory on Compensation for Its Breach in Promissory Estoppel*

"The doctrine of estoppel originates from English and American civil law but has now been incorporated as an essential and influential legal principle in most legal systems. In private law, estoppel is regarded as a means of achieving justice and equity. It assists judges in overcoming deception and fraud in litigation and directs adjudication toward fairness and justice. Generally, estoppel in English and American law is divided into three main categories: (1) estoppel by record, (2) estoppel by deed, and (3) estoppel by conduct" (Eftekhari Jahromi & Morteza, 2004).

Equitable estoppels, or as they are referred to in English law, estoppel by conduct, form the most significant part of estoppel law. The foundation of these estoppels is equity and justice. Equitable estoppels only apply against

a person who, through their conduct or statements, has misled another party.

Equitable estoppel is defined as: "Whenever a person, through their statements or conduct, intentionally leads another person to believe in the existence of a certain state of affairs and induces them to act upon that belief or change their position, the first person is prohibited from asserting a contradictory position against the latter" (Tapper, 1990).

The doctrine of estoppel is based on two elements: first, inconsistency in the behavior of the party subject to estoppel, and second, reliance and belief induced in the other party regarding the statements or conduct of the estopped party (Gayar & Sobhekhiz, 1986).

"In relation to the party invoking estoppel, English and American legal scholars have outlined various scattered conditions, which are examined below:

1. **Belief and Reliance:** For equitable estoppel to arise, the statements or conduct (action, words, or omission) of the estopped party must have been believed by the party invoking estoppel. Furthermore, the latter must have relied on this belief and been misled by it. Therefore, estoppel does not arise in favor of a person who was unaware of the other party's statements or conduct, as it is clear that one cannot rely on something they did not know existed.
2. **Change of Position:** The party invoking estoppel must, in addition to relying on the other party's conduct or statements, have been induced by these actions to act or refrain from acting to such an extent that their position is altered from what it would have been otherwise. If the estopped party is permitted to deny their previous conduct or statements, the party invoking estoppel would suffer damage as a result of this change in position" (Fridman, 1990, p. 645).
3. **Harm and Loss:** Estoppel is primarily based on harm or the deprivation of rights suffered by the party invoking it. If the party invoking estoppel has not suffered any damage or harm, estoppel does not materialize.
4. **Good Faith, Diligence, and Lack of Knowledge of the Truth:** The party invoking estoppel is required to act in good faith in their actions and in their reliance on the statements or conduct of the other party. Therefore, reliance and harm

are the two essential elements of equitable estoppel (Tapper, 1990).

The process of establishing estoppel often inherently includes compensation for damages. Preventing a party from denying a previously made statement is effectively enforcing the intention or expectation induced by that statement. Although determining appropriate compensation remains within the jurisdiction of the courts, the general principle is that damages should be proportionate to the loss incurred, and judicial discretion does not extend beyond prohibiting contradictory statements (Treitel, 2003).

The primary goal of promissory estoppel is not to enforce a promise or obligation but rather to prevent harm. Consequently, when compensation is awarded based on estoppel, courts aim to provide only the minimum necessary restitution to achieve justice between the parties. In certain situations, courts may not award compensation for the full extent of the loss suffered by the claimant (Ingrid, 2010).

Promissory estoppel, as a mechanism for compensation, is described as an independent contractual or quasi-tort theory designed to apply the most suitable method for redress. If promissory estoppel results in contractual liability, then the natural remedy should be the full enforcement of the promise or obligation. In such cases, this is the only appropriate remedy. Conversely, if the primary focus of promissory estoppel is the protection of the promisee's reliance, the compensation awarded is usually limited to actual losses to ensure fairness. Therefore, there is a fundamental distinction between contractual damages and quasi-tort damages:

- Contractual damages focus on the future and aim to place the promisee in the same position as they would have been had the contract been fully performed.
- Quasi-tort damages focus on the past and merely seek to restore the pre-reliance state through reimbursement of costs and losses (Blum, 2007).

Article 90 of the Restatement (Second) of Contracts in the United States states that a promise that the promisor should reasonably expect to induce definite and substantial action or forbearance by the promisee, and which does induce such action or forbearance, is binding if enforcement is necessary to prevent injustice.

However, in English law, reasonable reliance is not recognized as a ground for contract enforcement. Breach of reasonable reliance only gives rise to civil liability, not contractual liability (Stone & Devenny, 2017). The resistance of English case law to recognizing reliance as a contractual binding factor is due to the fact that, in English law, reliance is primarily discussed under estoppel rather than as an independent doctrine (Robertson, 2000).

Promissory estoppel can be categorized under estoppel by conduct, meaning that if one party's actions create reasonable reliance in the other party, and the latter acts based on that reliance and suffers harm, the responsible party must compensate for the loss.

It appears that Article 90 of the Restatement (Second) of Contracts also treats injustice as a separate element in the application of the reliance theory. The provision does not necessarily require the promise to be enforceable to avoid injustice; instead, injustice may be remedied through compensation rather than enforcement. This aligns with the English estoppel doctrine, where compensation for reliance losses may suffice without enforcing the original promise.

Under Article 90, liability arises when a promisor can reasonably foresee that their promise would induce the promisee to act or refrain from acting and when such action or forbearance occurs. In such cases, liability is imposed to prevent injustice (Randy & Becker, 1987). Since such promises are binding only if their enforcement is necessary to prevent injustice, reliance can either lead to enforcing the expected benefit or merely compensating for the loss suffered due to reliance.

From the above discussion, it can be concluded that in American law, the reliance theory not only obliges contract performance and compensation but can also lead to the formation of a new contract, allowing the transformation of obligations into alternative forms to meet expected benefits. In contrast, in English law, the reliance theory is primarily concerned with compensation for damages under civil liability.

3.2. *The Impact of the Reliance Theory on Compensation for Its Breach in the English Sale of Goods Act*

Reliance has been recognized in the legal frameworks of several countries, including England and the United States. In these legal systems, although the general

principle is that an offer is revocable, if the contracting party has relied on the offer as being irrevocable and has acted accordingly, the offeror is prevented from revoking their offer. This recognition of reliance highlights its role in contractual obligations.

Under the English Sale of Goods Act, goods must be fit for any particular purpose that has been expressly or impliedly made known to the seller at the time of contract formation, unless the circumstances indicate that the buyer did not rely on the seller's skill and judgment, or such reliance was unreasonable. This principle is established in Section 14(3) of the English Sale of Goods Act, which states:

"Where the seller sells goods in the course of a business and the buyer, expressly or by implication, makes known to the seller the particular purpose for which the goods are required, there is an implied condition that the goods shall be reasonably fit for such purpose, whether or not that is a purpose for which such goods are commonly supplied, except where the circumstances show that the buyer did not rely, or it was unreasonable for the buyer to rely, on the seller's skill or judgment."

4. The Impact of the Reliance Theory on Compensation for Its Breach in Iranian Law

The reliance theory has not been explicitly recognized in Iranian law concerning civil liability. Therefore, to analyze its potential impact on compensation for its breach, it is necessary to examine whether it can influence Islamic jurisprudential and legal principles related to civil liability and compensation for damages.

4.1. *The Impact of the Reliance Theory on Compensation for Its Breach Under the Rule of Causation (Tasbib)*

The linguistic meaning of "tasbib" (causation) derives from the Arabic root "sabab", meaning "rope" or any link connecting one thing to another. In philosophical terms, a cause is something that exists independently and results in the existence of another thing, meaning something that facilitates the occurrence of another event. In Islamic jurisprudence, a cause is defined as something without which the effect would not have occurred.

Allameh Hilli states that tasbib refers to any act through which something is lost or destroyed, in such a way that without that act, the destruction would not have occurred (Mousavi Bojnordi, 2000).

"Causation differs from direct action. If the relationship between two things is such that the existence of one necessarily leads to the existence of the other, and its absence leads to the non-existence of the latter, the first is called the "complete cause" of the second. Although a complete cause and a cause (sabab) may be similar, they are conceptually distinct" (Mohaghegh Damad, 2009).

In tasbib, the individual's action does not directly or immediately destroy another's property. Instead, the relationship between the act and the loss is such that if the act had not occurred, the loss would not have ensued. For example, if someone directly sets fire to another's property or kills their animal, they are a direct perpetrator. However, if a person digs a hole in a public path and another person's animal falls into it and dies, they are a cause (musebbib).

The legal concept of action in this context is broader than its philosophical meaning. In legal terminology, it includes both positive acts and omissions. Thus, causation can occur in two forms:

1. Positive Act (Commission): This occurs when an act leads to the loss of property. For instance, if a person throws a stone or fruit peel onto a sidewalk, causing a passerby to slip and suffer injuries, they have caused the harm.
2. Omission (Failure to Act): This occurs when failing to act results in damage to another. This may arise from contractual obligations, such as railway workers failing to perform their duties, resulting in a train collision. It may also stem from legal duties, such as a guardian neglecting to safeguard a minor's assets, leading to financial loss.

All these cases fall under tasbib because the individual, through indirect means, has caused harm, even though they did not directly inflict the damage.

The key distinction between direct harm (itlaf) and causation (tasbib) lies in two aspects:

- In direct harm (itlaf), the damage immediately and directly results from the wrongful act.
- In causation (tasbib), harm occurs indirectly and can also result from omission (failure to act), which is never the case in direct harm (Mohaghegh Damad, 2009).

Upon examining promissory estoppel, a doctrine derived from the reliance theory, the only similarity between tasbib in Islamic law and estoppel in common law is the

concept of harm. However, this resemblance remains superficial because the fundamental elements of these two doctrines differ.

In tasbib, the individual causes harm through an act or omission, and the principle seeks to protect the injured party by mandating compensation. In contrast, promissory estoppel is aimed at protecting the promisee by preventing detrimental reliance and ensuring compensation for reliance losses.

While tasbib seeks to restore the injured party to their previous state, estoppel prioritizes enforcing the promise. Given these fundamental differences, there is no strong basis for equating or aligning the core elements of these two principles.

4.2. *The Impact of the Reliance Theory on Compensation for Its Breach Under the Rule of Deception (Ghoroor)*

In Islamic jurisprudence, deception (ghoroor) refers to an act by one person that causes harm to another due to deception, even if the deceiver did not intend to mislead or was themselves misled or ignorant (Mousavi Bojnordi, 2000).

The rule of deception (qa'idat al-ghoroor) states that if a person is misled by another's statements or conduct and suffers harm as a result, the injured party is entitled to compensation. For example, if a seller presents property belonging to someone else as their own and sells or lends it, any losses incurred by the buyer or borrower must be compensated by the deceiving party (Maraghei, 1996).

This principle is also reflected in Article 323 of the Iranian Civil Code, which states:

"If the buyer was unaware of the seller's lack of ownership and the owner claims the property, the buyer may seek restitution of the purchase price and compensation from the seller, even if the property has perished in the buyer's possession. If the owner claims compensation from the seller for the loss or value of the property, the seller has no right of recourse against the buyer."

This liability of the seller stems from the principle of deception (ghoroor) (Maraghei, 1996).

The reliance theory establishes a general principle: if one's actions induce reliance in another, a binding obligation arises. In contrast, the rule of deception applies when an act misleads another party and causes harm.

The rule of deception applies retroactively, compensating for harm already incurred due to deception. It does not prevent the occurrence of such harm, while the reliance theory prevents a promisor from reneging on statements that induced reasonable reliance, as doing so would harm the promisee.

Given these distinctions, the rule of deception in Islamic jurisprudence cannot serve as an adequate substitute for the reliance theory in Iranian law.

4.3. *The Impact of the Reliance Theory on Compensation for Its Breach Under the Rule of Voluntary Action (Iqdām)*

"In Islamic jurisprudence, certain acts and statements that create financial or personal obligations are considered guarantee (ḍamān). The commitment arising from guarantee establishes a legal relationship between two persons. However, in contrast to the causes of guarantee, certain acts and statements are recognized as eliminating liability, among which the rule of voluntary action (iqdām) is a significant exonerating principle" (Amidi Zanjani, 2007).

The most notable applications of the rule of voluntary action in Iranian civil law include:

1. Article 178 of the Iranian Civil Code: "Property that has sunk in the sea and whose owner has abandoned it belongs to the person who retrieves it." According to the principle of voluntary action, if a person undertakes an act that eliminates their legal protection over their property, they cannot later claim compensation for its loss. Abandonment is a unilateral legal act (iqāʿ) that extinguishes ownership rights, meaning that the former owner loses all claims to the property, and anyone may take possession of it. This principle applies not only to abandoned property in the sea but also to all types of property abandonment.
2. Article 263 of the Iranian Civil Code: "If the owner does not approve the unauthorized sale, and the buyer was unaware of the unauthorized nature of the sale, the buyer may seek restitution of the purchase price and all related damages from the unauthorized seller. However, if the buyer was aware of the unauthorized nature of the transaction, they may only recover the purchase price." The final

part of this article reflects the rule of voluntary action. If, after the transaction, the owner does not consent to the unauthorized sale, the buyer can only claim back the purchase price from the unauthorized seller. However, if the buyer was aware of the unauthorized nature of the sale, they cannot claim additional costs, as they knowingly acted to their own detriment. The opening part of the article confirms that knowledge is a prerequisite for invoking this rule.

The principle of voluntary action applies when an individual, through their own voluntary conduct or omission, knowingly waives their legal protection or right and thereby eliminates their right to claim compensation.

If a person's actions lead to another inflicting harm upon them, the rule of voluntary action dictates that the acting party must bear the loss, as their own conduct breaks the causal link between the harm and the other party's actions. This rule disrupts one of the fundamental elements of civil liability—the causal relationship—thereby negating the basis for liability. A person who voluntarily relinquishes their protection over their property cannot later hold another liable for damages.

The reliance theory, on the other hand, mandates that the promisor fulfill their promise (either through conduct or statements) to prevent harm to the promisee. However, the rule of voluntary action involves a person accepting harm and thereby waiving the liability of another. Unlike the reliance theory, where a statement or action induces reasonable reliance, voluntary action solely concerns affirmative acts or omissions of an individual.

It could be argued that the reliance theory implicitly includes the rule of voluntary action. A promisor, by making a promise, acts to their own future detriment, as fulfilling the promise results in a loss of ownership or resources in favor of the promisee. This concept aligns with the rule of voluntary action in Islamic jurisprudence. However, this interpretation is not entirely consistent with Iranian law, as unilateral promises are not binding and do not inherently create obligations. Giving a promise alone is not considered a voluntary action under Iranian law.

Although the rule of voluntary action explicitly eliminates liability, its objective differs from that of the reliance theory, which seeks to prevent harm to the

promisee and enforce promises. The reliance theory ensures that promises are honored, whereas voluntary action negates responsibility for harm. Thus, voluntary action does not adequately reflect the core principles of the reliance theory.

4.4. *The Impact of the Reliance Theory on Compensation for Its Breach Under the Rule of No Harm (Lā Ẓarar wa Lā Ẓirār)*

The term "ẓarar" (harm) is defined in various Islamic legal texts:

- Şihāḥ al-Lughā defines ẓarar as the opposite of benefit (Jouhari, 1997).
- Mişbāḥ al-Munīr interprets ẓarar as an unjust act against a person or physical damage (Fiumi, 1994).
- Mufradāt al-Rāghib defines ẓarar as a deteriorated state, whether concerning one's intellect (due to ignorance), body (due to loss of limbs), or wealth and reputation (Raghib Isfahani, 1992).
- Na'ini states: "Ẓarar encompasses any loss of wealth, reputation, or life. However, while 'ẓarar' is commonly used for loss of life and property, it is rarely used for loss of honor and reputation" (Naini, 1997).
- Imam Khomeini defines ẓarar as "the opposite of benefit" (Mousavi Khomeini, 1990).

The term "ẓirār" has multiple interpretations. As a verbal noun in the "mufa'ala" form, it suggests reciprocal harm, unlike "ẓarar", which refers to harm from one party to another. Several meanings have been proposed:

1. Ẓirār as retributive harm, inflicted in response to harm suffered.
2. Ẓirār as mutual harm, where two parties harm each other.
3. Ẓarar as harm inflicted for personal benefit, while Ẓirār as harm inflicted without personal gain.
4. Ẓarar and Ẓirār having identical meanings.
5. Ẓirār as a synonym for hardship.
6. Ẓirār as intentional harm, while Ẓarar includes both intentional and unintentional harm (Mohaghegh Damad, 2009).

The principle of no harm (Lā Ẓarar wa Lā Ẓirār) appears in various Iranian Civil Code provisions, including:

1. Article 65: "A waqf (endowment) that causes harm to creditors is invalid unless they consent."
2. Article 114: "A co-owner may be compelled to build or repair a shared wall if there is no other way to prevent damage."
3. Article 132: "Property owners may not use their property in a way that causes harm to neighbors, except when necessary or customary."
4. Article 592: "A harmful division of jointly owned property is prohibited without the consent of the affected party."
5. Article 1130: "A wife may request divorce if continuing the marriage causes her undue harm."

Under the reliance theory, a promisor cannot renege on their promise in a manner that causes harm to the promisee. The primary rule of the reliance theory is that the promisor must fulfill their stated commitment, while compensating for damages is a secondary remedy.

In Islamic jurisprudence, the principle of no harm is invoked to invalidate contractual obligations that cause unjust harm. Therefore, its primary function is secondary relief rather than establishing liability. While the no-harm principle does not inherently impose liability, it can be used to justify compensation for harm. The reliance theory, in the absence of consideration, mandates performance and compensation, making it similar in some respects to the no-harm principle. Both apply in contractual and non-contractual contexts.

However, the no-harm principle focuses on remedying harm, while the reliance theory ensures promises are kept and prevents harm. Due to this fundamental difference, the no-harm principle cannot fully replace the reliance theory in Iranian law.

4.5. *The Impact of the Reliance Theory on Compensation for Its Breach Under Article 336 of the Iranian Civil Code*

According to Article 336 of the Iranian Civil Code: "Whenever a person, at the request of another, performs an act that is customarily associated with remuneration, or if that person is habitually prepared to perform such an act, they shall be entitled to compensation for their work unless it is established that they acted voluntarily and without expectation of payment." The principle underlying Article 336 is that of unjust enrichment

(isti'fā')—the utilization of another's labor without a contractual agreement on remuneration. If there is an agreement or contract between the parties regarding payment, the terms of that agreement take precedence.

"An obligation to pay remuneration and considering a person liable for compensation due to benefiting from another's labor arises only when the act was performed at the request of the beneficiary, who instructed the actor to carry out the work. Therefore, if a person removes weeds from another's garden or fertilizes the soil without being asked, they cannot demand payment from the garden owner. Likewise, if a person washes someone else's car in the owner's absence without their knowledge, the car owner bears no liability for payment. Islamic jurisprudential texts also uphold the principle that in such cases, the actor is not entitled to remuneration" (Tabatabaei Yazdi, 1996, Vol. 5, p. 112).

"Moreover, the liability and obligation imposed on the requesting party to pay remuneration arise from unjust enrichment, and this obligation does not exist before the work has been performed or the desired outcome has been achieved. Article 336 of the Civil Code states that whenever a person, at the request of another, performs an act... they shall be entitled to compensation. Accordingly, if only part of the requested work is completed, the actor is entitled only to proportional compensation. Thus, the requesting party cannot be compelled to pay for the entire work, nor is the actor obligated to complete what they started. In other words, no future obligation arises in the course of unjust enrichment" (Haeri Shahbagh, 2023).

"The obligation arising from unjust enrichment is also subject to the condition that, in the eyes of customary practice (urf), the work is considered compensable. If an action is commonly performed without a contract and at another's request, it may be perceived as an act of goodwill or politeness, and custom may not attribute a monetary value to it, even if it was done at the request of another. In addition to customary standards, the default assumption is that such actions are voluntary, unless proven otherwise. Article 336 of the Civil Code also specifies that remuneration is due only if the act is customarily paid for or if the individual is habitually engaged in such work. However, if a person, before performing an act of goodwill, explicitly conditions their service on receiving remuneration, they are entitled to payment" (Katouzian, 2002).

"Ultimately, if an individual voluntarily performs a service for another without expectation of compensation, they cannot later claim payment, even if the service is customarily associated with remuneration. The final part of Article 336 of the Civil Code—'unless it is established that they acted voluntarily'—suggests that the default assumption is that the act was not voluntary, and the burden of proof lies on those claiming otherwise. Establishing voluntariness requires proving the actor's intent" (Haeri Shahbagh, 2023).

A study of the reliance theory suggests that unjust enrichment may be conceptually related to reliance in cases where the denial of compensation results in harm to the actor. In unjust enrichment, a person voluntarily undertakes an act at another's request, where remuneration is customarily expected, and the failure to pay would cause a financial loss to the actor. The purpose of unjust enrichment is to protect the injured party by awarding compensation, just as the reliance theory seeks to protect the promisee from harm caused by reliance.

Despite these similarities, the two principles differ in scope. Unjust enrichment, grounded in civil liability, seeks to restore the injured party to their previous state through compensation, whereas the reliance theory primarily aims to enforce the promise that induced the reliance and caused harm.

5. Conclusion

Under the reliance theory, when a promisee relies on the statements or conduct of a promisor, the promise becomes binding, and a unilateral promise alone suffices to create an enforceable obligation. In the common law system, an enforceable obligation requires consideration or formal contract formation. However, the reliance theory serves as an alternative to consideration, providing a criterion for enforcing promises. According to this theory, even in the absence of consideration, the promisor's commitment and promise remain enforceable. In other words, the reliance theory grants promises binding force similar to consideration.

In common law, the reliance theory affects compensation through promissory estoppel. If a person makes a promise, and another party acts in reliance on it, the doctrine of promissory estoppel prevents the promisor from retracting their promise, even if the commitment was unilateral and lacked consideration.

In Iranian law, Article 190 of the Civil Code establishes that a valid contract requires: the intent and consent of the parties, legal capacity, a specific subject matter, and a lawful purpose. In contrast, common law requires consideration as a fundamental element of a valid contract. This difference marks a key distinction between Iranian law and common law.

The reliance theory is primarily applicable in the domain of civil liability. While Islamic legal principles such as the rules of deception (ghurūr), no harm (lā ḍarar), and voluntary action (iqdām) provide remedies for harm suffered by the promisee, Islamic law does not explicitly establish a principle to prevent harm between contracting parties.

Given its effects, the reliance theory can be categorized within civil liability. Aside from cases where a contractual framework exists, in some instances, a promisor's obligation must be assessed within the context of extra-contractual obligations, specifically within civil liability. While in some cases, the reliance theory leads to contract formation, its primary function is to enforce promises to prevent harm to the promisee. Although Islamic jurisprudence and Iranian law provide mechanisms such as the rules of no harm (lā ḍarar), voluntary action (iqdām), and deception (ghurūr) for compensating damages, no specific legal principle exists to prevent harm between parties before it occurs.

Authors' Contributions

Authors contributed equally to this article.

Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

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Declaration of Interest

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Ethical Considerations

In this research, ethical standards including obtaining informed consent, ensuring privacy and confidentiality were observed.

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